

WASHINGTON
DEPARTMENT OF STATE

DEPARTMENT OF STATE

'88 FEB 29 P4:07

B

S/S #

1603
A

MESSAGE NO. **024789** CLASSIFICATION UNCLASSIFIED No. Pages 4
FROM: JON M. GIBNEY INR/C 74258 6635
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION TESTIMONY BY SHERMAN M. FUNK - INSPECTOR GENERAL
DEPARTMENT OF STATE, MAR 1, 1988

STAT

TO: (Agency)

CIA/OCA

DELIVER TO:

Extension

Room No.

7814

FOR:

CLEARANCE ☐

INFORMATION ☒

PER REQUEST ☐

COMMENT ☐

REMARKS:

S/S Officer: 

Transcribed
File

Testimony by
Sherman M. Funk
Inspector General, Department of State
before the
U.S. Senate Select Committee on Intelligence
March 1, 1988

Mr. Chairman, Members of the Committee:

It is a great pleasure for me to testify before your Committee on S.1818, the National Security Reform Act of 1987.

As the Committee has requested, my testimony will focus on how the statutory IG is working at the State Department and our ability to inspect intelligence programs and activities. I hope that this experience will assist the Committee in its deliberations on S.1818.

This is my first opportunity to appear before this Committee since the creation of the new Office of Inspector General. As you know, my office was created pursuant to P.L. 99-399 of August 17, 1986, and was formally established on August 27, 1986. I was sworn in as the first statutory Inspector General on August 14, 1987. Previously, I had served for six years as IG of the Department of Commerce.

As Inspector General, I operate with complete independence, reporting only to the Secretary and Deputy Secretary. I have total access to Department personnel and records. In order to ensure that my office is fully informed of all management issues, I sit as an ex officio member of the Department's Management Council and the Internal Controls Steering Committee which oversees the Department's compliance with the Federal Managers' Financial Integrity Act.

The Arms Control and Disarmament Amendments Act of 1987, signed by the President on December 24, 1987 gave me a second hat as the Inspector General of the Arms Control and Disarmament Agency. The Act also directed me to conduct a survey of physical, personnel, document and communication security programs and practices in ACDA not later than 90 days after enactment. We currently have an audit team working on this project, and I will report the results to Congress.

The new Office of Inspector General has a heavy burden of work, covering 334 foreign posts and all domestic offices of the Department of State and ACDA. One of my main jobs, in the six months since I assumed my new responsibilities, has been to recruit a highly-qualified staff to carry out our broad mandate. The office has a total of 236 authorized positions, of which 111 are either on board or selected and awaiting security clearances. Although far short of our authorized

-2-

ceiling, we are carrying out a vigorous and far-ranging program of inspections, audits and investigations. Earlier, the inspection function in State was carried out by the Office of Policy and Program Review, pursuant to Section 209 of the Foreign Service Act of 1980. To avoid costly and unnecessary duplication, the Secretary merged that office into mine last summer.

In this fiscal year, we have already inspected the large U.S. missions in the Philippines, Japan, West Germany, Spain, Portugal and El Salvador. We are currently inspecting 18 posts in Western and Southern Africa, the Caribbean, and Switzerland as well as the Bureau of Intelligence and Research and the Office of Foreign Missions. We are also carrying out a special review of the crisis management capabilities of the Department. Our audit office is actively reviewing a range of functional problems in the areas of security, overseas construction, financial management and consular fraud. Our Office of Investigations had a case load of 182 cases as of January 31, 1988. I have brought copies of our semiannual reports for the periods October 1, 1986 to March 31, 1987 and April 1, 1987 to September 30, 1987. These reports provide detailed information on the activities of the office and on the most important findings and recommendations.

Mr. Chairman, you have expressed an interest in how my office reviews intelligence programs and activities. In the course of each overseas inspection, the senior inspector, who is usually a former Ambassador, is tasked with personally assessing relations between the Chief of Mission and intelligence components of the Embassy. On his return, the senior inspector reports to me on these relationships and on any problems which he has observed. In addition, he reviews intelligence activities to determine, within the constraints of time and access, whether there are any apparent violations of law involved in intelligence programs in the country being inspected. On a quarterly basis, I report to the Chairman of the President's Intelligence Oversight Review Board on these 2nd other relevant findings which arise from our work. In addition, once each year a senior inspector reviews in depth all covert programs known to the Department. This review is carried out pursuant to Executive Order 12234 of December 4, 1981, which charges Inspectors General and General Counsels of the Intelligence Community to report to the President's Intelligence Oversight Board concerning intelligence activities that they have reason to believe may be unlawful or contrary to Executive Order or Presidential directive. Our review involves a detailed reading of INR's files and interviews with senior officers in INR, the Geographic Bureaus and the Office of the Legal Advisor. Each and every covert program for which there is a presidential finding is reviewed.

Beyond these regular reports, my office inspects the Bureau of Intelligence and Research as part of our regular inspections of Department bureaus. Coincidentally, an inspection of INR is now under way, personally led by Deputy Inspector General Anthony Quainton. Ambassador Quainton is with me today to answer any specific questions you may have about that inspection.

I should, however, like to comment in general terms on the INR inspection. A total of six Foreign Service and Civil Service inspectors are working with Ambassador Quainton. The inspection began in January and, by the time we complete the job on April first, they will have interviewed all of INR's 370 employees. They are reviewing INR's analytical product, assessing the management of INR's human and financial resources and examining INR's effectiveness as a coordinator of intelligence programs overseas. Having obtained all the appropriate clearances, the inspectors are looking at INR's work to judge the extent to which it is producing timely, policy-relevant analysis and is carrying out its coordination responsibilities to ensure that foreign intelligence activities are consistent with law and U.S. Foreign Policy objectives. The INR inspection team will also be looking at the question of the security of classified information in INR and will be making appropriate recommendations to management in this regard. I would be happy to provide to the Committee a copy of the final classified inspection report.

I should note that as we gather information through our Offices of Audits, Inspections, and Investigations, we also preserve the security of the information we gather. This comes easy to us, because OIG staffs are accustomed to working daily with very sensitive (but usually unclassified) material. Our people are professional clams. At State, where we handle a huge volume of classified material, we release our classified reports only to those with appropriate clearances -- including Capitol Hill. We are particularly careful to maintain controls in all matters relating to special category and other sensitive intelligence.

With regard to the broader question of security, I have directed the Security and Intelligence Division of the Office of Audits to give particular attention to questions of documentary and physical security. It will be looking especially at the programs of the Bureau of Diplomatic Security, beginning with the security and counterintelligence training of its special agents. As in the case of ACDA, we shall be examining all aspects of the Department's security program.

An area of great concern to me and to the Secretary has been security at our Embassy in Moscow. Last October, accompanied by the Assistant Inspectors General for Audit and

for investigation and a senior inspector, I reviewed the very complex security and logistical problems faced by our Mission in the Soviet Union in Finland. On our return, I discussed our findings with the Secretary, Deputy Secretary, Department bureau heads, and with senior officials of the intelligence agencies. My formal report to the Secretary makes specific recommendations for enhancing security and counterintelligence. These recommendations are currently under review at the highest levels of the Department.

In short, Mr. Chairman, security is a very high priority for my office. As we review the management and implementation of U.S. foreign policy, we will be acutely aware of security and counter intelligence and of the necessity that our Government's covert programs abroad be carried on in full compliance with law and applicable presidential findings. This, I know, is a concern of your Committee as evidenced by S.1818 which we are discussing today.

I would be happy to answer any questions you may have.